

Monthly Review and Verification: Fixed Asset Management

The purpose of this guide is to recommend critical review steps that agencies should establish as a monthly practice, with suggestions for using reports and researching issues. Agencies may use suitable equivalents which yield comparable results. If you need additional assistance, please contact your GAO liaison or refer to the Asset Management Training Guide.¹

For purposes of this guide, all long-lived resources, including capital assets, IT resources, infrastructure assets and stewardship resources (as defined in SAAM 2505) are referred to as “fixed assets”.

Objectives of Review Process

- Fixed asset acquisitions are complete and accurate
- Fixed asset disposals are no longer reported on the balance sheet
- Depreciation is occurring as expected
- Fixed asset activity is independently reviewed

FIXED ASSET ACQUISITIONS

Background: Unless a specific exception exists, all agencies must record fixed assets in the AFIS Fixed Asset Module (FAM) within 10 business days of acquisition date (SAAM 2505-2.1). When a fixed asset is acquired, no matter the payment method used, it is not automatically recorded in FAM. A fixed asset is recorded in FAM in only one of two ways:

- **Fixed Asset Shell (FAS) document in AFIS** – This document is automatically generated by AFIS after a payment is made for a fixed asset acquired through ProcureAZ. It is referred to as a “shell” because the document is incomplete and remains in draft

¹ Training Guide: https://gao.az.gov/sites/default/files/AFISAM_AFIS_Asset_Management_PG_v4_2.pdf

Monthly Verification and Review: Fixed Asset Management

status until the rest of the required fields are input manually and the document is finalized.

- **Fixed Asset Acquisition (FA) document in AFIS** – This document is used to manually record a fixed asset not acquired through ProcureAZ (e.g., donated, transferred, P-Card purchase, GAX payment, or incorrect FAS (shell) amount from ProcureAZ).

Review Fixed Asset Shells

- A. The objective of reviewing shells is to identify fixed assets that need to be recorded in FAM.
 1. Run the AFIS report FIN-AZ-AM-N332 (Pending Fixed Asset Shell Transactions by Department). This report displays shells generated as a result of fixed assets acquired through ProcureAZ that have not been finalized in AFIS.
 2. If no shells appear on the report, then this section requires no further review.
 3. If a shell appears on this report, review the pending FAS document to determine if it needs to be recorded in FAM. If it is, complete and finalize the FAS document. If it's not, remove (unpend) the FAS document. See Quick Reference Guides for "Acquiring a New Fixed Asset²."
 - a. After completing these steps for each shell, shells should no longer appear on the report.

Tips –

- A shell over \$5,000 might be a capital asset, which should be finalized as a fixed asset.
- A shell under \$5,000 might be a stewardship asset (as defined by SAAM 2535), which should be finalized as memo asset.
- If a shell is not for a capital asset or stewardship asset, then it needs to be removed (unpending). To remove (unpend) a transaction, open the appropriate fixed asset document and change the event type to FA14 and submit document. After the FAS is approved, the shell will be unpended.

² QRG "Acquiring a New Fixed Asset": <https://gao.az.gov/sites/default/files/Aquire%20New%20FA-Final.pdf>

Monthly Verification and Review: Fixed Asset Management

- If a shell is for a fixed asset but cannot be utilized for any reason, it must be removed (unpended) and a FA document must be used to add the fixed asset into FAM.
- As an alternative to running the FIN-AZ-AM-N332 report, agencies can use the document catalog in AFIS and search by Document Code = FAS, Department, and Phase = draft or pending for all outstanding shells.

Reconcile Acquisitions

- B. The objective of this reconciliation is to ensure that expenditures for fixed asset acquisitions in AFIS are also recorded as fixed assets in FAM.
1. Run the FIN-AZ-AM-N542 (Asset Expenditures by Period). This report displays cash expenditures for Object Classes 8100, 8400, and 8500.
 - a) Object Classes 8100 and 8400 should contain capital purchases. Object Class 8500 contains non-capital equipment purchases that may include stewardship resources that are required to be recorded in FAM as memo assets (SAAM 2535).
 2. Run the FIN-AZ-AM-C049a (Fixed Asset Acquisitions by Department and Asset Type). This report displays each asset by type, acquisition date, and cost.
 - a) In the report prompt "Memo Assets?", remove default "No" and leave it blank.
 3. Reconcile the total asset expenditures on the FIN-AZ-AM-N542 to the total fixed assets shown on the FIN-AZ-AM-C049a (recorded in FAM).
 - a) If the totals do not match, then document an explanation of the difference.

Tips –

- A difference between the two reports could be the result of one or more of the following:
 - Fixed asset expenditures on the FIN-AZ-AM-N542 might need to be added to FAM in order to appear on the FIN-AZ-AM-C049a or FIN-AZ-AM-C049b.
 - Freight or other related costs may have been excluded in the fixed asset purchase price, but it is required to be included by SAAM 2520-1.
 - A fixed asset on FAM won't appear on FIN-AZ-AM-N542 if the asset expenditure was recorded to an object code other than 8100, 8400, or 8500.

Monthly Verification and Review: Fixed Asset Management

- Fixed assets recorded in FAM during the current accounting period may have been paid for in another accounting period, creating a timing difference between FIN-AZ-AM-542 and FIN-AZ-AM-C049a.
- “ME” document postings for depreciation expense might appear on the FIN-AZ-AM-N542 if any fixed assets were assigned a Department Object when the FA, FAS, or FI document was finalized.
- A donated fixed asset on FAM will not appear on FIN-AZ-AM-N542 because a fixed asset received by donation is not recorded as an expenditure.
- A fixed asset shell in pending status will not be displayed as a fixed asset on FIN-AZ-AM-C049a.
- AFIS report FIN-AZ-AM-C049b (Fixed Asset Purchases by Department and Funding Source) provides additional information, including funds and function, related to fixed asset acquisitions (not reflected on FIN-AZ-AM-C049a).
- If the agency has supplemental internal records of fixed assets, these could be used as another source for research.

FIXED ASSET DISPOSALS

Background: Except as otherwise provided by law, the ADOA Surplus Property Management Office (SPMO) is responsible for the physical disposal of all fixed assets³. Agencies are to use Form SP101 to report disposals to SPMO. Once approved by SPMO, the agency should record the fixed asset as disposed within ten business days (SAAM 2561). A fixed asset disposal is recorded by completing a Fixed Asset Disposal (FD) document in AFIS.

Review Disposals

- C. The objective of this section is to ensure that all fixed assets disposed during the month have been removed from FAM.
 - 1. Run and review the AFIS report *FIN-AZ-AM-C050a* (Fixed Asset Dispositions by Department, Fund, and Asset Type)*. This report displays fixed assets that were removed from FAM during the month.

³ State Surplus Property Reference Manual: <https://doa.az.gov/state-surplus-property-reference-manual>

Monthly Verification and Review: Fixed Asset Management

- a) If there were assets disposed during the month that are not reflected on the report, then a FD document must be processed and finalized in AFIS.

FIXED ASSET DEPRECIATION

Background: Tangible fixed asset acquisitions that exceed the capitalization threshold of \$5,000 are depreciated over their projected useful lives (except as otherwise might be prescribed by policy). All agencies must use the Capitalization, Depreciation, and Amortization and Posting Tables (SAAM 2590). The GAO runs a process in AFIS that calculates and posts depreciation expense monthly and during the annual close each year.

Review Depreciation

- D. One objective of reviewing depreciation is to ensure that depreciation is occurring as expected. If fixed assets are not fully depreciated, then depreciation should be occurring. If fixed assets are fully depreciated, then they should not be depreciating. All depreciation expense should be posted to Object Code 7912.
 1. Run and review the AFIS report FIN-AZ-AM-N357 (Fixed Asset Accumulated Depreciation by Fund). This report displays each fixed asset's current depreciation expense, ending accumulated depreciation, and remaining net book value.
 2. If a fixed asset is not fully depreciated, then depreciation expense should be reported ("Current Month Depreciation" should not be zero).
 - Tip – An asset is not fully depreciated if "ITD Accum. Depreciation" + "Salvage Value" is less than "Acquisition Amount".
 3. If a fixed asset is fully depreciated, then depreciation expense should not be reported ("Current Month Depreciation" should be zero).
 - Tip – An asset is fully depreciated if "ITD Accum. Depreciation + "Salvage Value" = "Acquisition Amount".
- E. Another objective of reviewing depreciation is to ensure that it is posted to object code 7912 within the general ledger.
 1. Run the AFIS report FIN-AZ-GL-N188 (Trial Balance by Department, Fund Class, Fund Group, Fund, and Sub-Fund) for the month under review. This report displays a summary of balances and changes to the general ledger.

In the report prompts, select:

 - a) Object Code "7912"
 - b) Closing Classification of "10 – Cash Expenditures".

Monthly Verification and Review: Fixed Asset Management

Once the report is run, select the “Summary by Account” tab. This will display the total month’s depreciation expense in the “Debit Activity” column.

2. Compare the grand total for column “Current Month Depreciation” on report FIN-AZ-AM-N357 to the grand total for depreciation expense on report FIN-AZ-GL-N188. If it doesn’t match, it could mean that the depreciation expense for one or more assets may have been inadvertently posted to other object codes.

Tips –

- A pending or draft fixed asset document must be finalized before depreciation will be recorded.
- The “DEPH” (Depreciation History) table in AFIS is useful for researching prior depreciation amounts.
- A FA, FAS, or FI document finalized with a “Department Object” will cause depreciation expense to post to an incorrect object code.
- If a fixed asset is added to or modified in FAM with a prior period acquisition date, prior unrecorded depreciation will be calculated and recognized in the current period.

INDEPENDENT REVIEW OF FIXED ASSETS

Background: Management must assure that all additions, modifications and deletions to fixed assets are reviewed monthly by someone without access to modify FAM (SAAM 0510-2.14).

Independent Review

- F. The objective of an independent review is to ensure that fixed asset transactions are reviewed by a person who cannot alter fixed asset records in FAM. This review should be performed by a person who is independent from, but knowledgeable of, the agency’s fixed asset purchases and disposals.
 1. Run the AFIS report FIN-AZ-AM-C048 (Transaction Register by Department) and select the date range for the month under review. This report displays all fixed asset transactions recorded for the month.
 2. Review the acquisition and disposals at a high level for reasonableness.
 3. Acknowledge completion of the review process by initial or signature.

Monthly Verification and Review: Fixed Asset Management

Further Reference

Quick Reference Guides and Training (GAO Website)

For general training on Asset Management, including Program Asset Generation, see the Training Guide⁴.

InfoAdvantage Reports for Asset Management

The following reports are available statewide in infoAdvantage for Asset Management.

Report ID	Name
FIN-AZ-AM-C048	Transaction Register by Department
*FIN-AZ-AM-C049a	Fixed Asset Acquisitions by Department and Asset Type
FIN-AZ-AM-C049b	Fixed Asset Purchases by Department and Funding Source
FIN-AZ-AM-C050a	Fixed Asset Dispositions by Department, Fund, and Asset Type
FIN-AZ-AM-C050b	Gain-Loss on Disposition of Assets by Fund and Asset Type
FIN-AZ-AM-C053a	Fixed Asset Transfers by Fiscal Year
FIN-AZ-AM-C056	Assets with Multiple Components by Department
FIN-AZ-AM-C062	Age of Assets
FIN-AZ-AM-N067	Fixed Assets by CFDA number
*FIN-AZ-AM-N332	Pending Fixed Asset Shell Transactions by Department
FIN-AZ-AM-N341	Disposed Assets by Acquisition Fund
*FIN-AZ-AM-N357	Fixed Asset Accumulated Depreciation by Fund
FIN-AZ-AM-N358	Fixed Asset by Location and Sub-Location
FIN-AZ-AM-N385	Fixed Assets by Type – Detail
FIN-AZ-AM-538	Fixed Assets by Type - Fund 1300
FIN-AZ-AM-542	Asset Expenditures by Period
FIN-AZ-AM-593	Fixed Assets by Type - Detail
FIN-FA-0003	Fixed Asset Transaction Detail
FIN-FA-0004	Fixed Asset Replacement Forecast
FIN-FA-0005	Statement of Fixed Assets by Department and Unit

*These reports can be generated on demand based on the current status. GAO is currently publishing these reports on a monthly or daily basis (report specific) to provide a snapshot point in time for agencies. Please see your agency's published reports in InfoAdvantage to refer to these versions.

⁴ Training Guide: https://gao.az.gov/sites/default/files/AFISAM_AFIS_Asset_Management_PG_v4_2.pdf